Tucson Electric Power Company
88 East Broadway Blvd.
Tucson, Arizona 85701

October 10, 2014

Mr. Steve Olea
Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

ORIGINAL

Re: Integrated Resource Planning, Docket No. Docket No. E-0000V-13-0070
TEP's Response to SEIA's September 29, 2014 Comments

Dear Mr. Olea:

The Solar Energy Industries Association (SEIA) submitted comments on September 29, 2014 in the Commission's Integrated Resource Planning Docket.. Given the nature of SEIA's comments, Tucson Electric Power (TEP) is compelled to respond to, and to correct, certain statements in SEIA's comments regarding to TEP's 2014 Integrated Resource Plan.

SEIA asserts (at page 2) that:

> In TEP's case, the IRP does not even anticipate adding sufficient RE resources needed to meet the company's Renewable Energy Standard (RES) requirement. For each year after 2017, the amount of renewable resources TEP anticipates in its IRP is less than the percentage of retail sales required by the RES. This is true despite the fact that in its 2015 REST plan, TEP suggested that the company will continue to "invest in renewable technologies in the future as the Company transitions to a more sustainable resource portfolio but will recover those costs through traditional methods." Yet, TEP's IRP indicates that no incremental RE additions (other than DE) are planned from 2015 until 2022. This oversight needs to be corrected in the final version of the IRP acknowledged by the Commission.

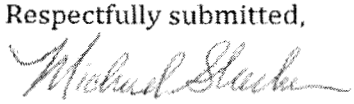
What SEIA does not appear to understand is that TEP's Reference Case *does not need* to include the addition of new utility scale renewable resources between the years 2017 and 2022 to meet the REST standard. As shown in Table 1 below, TEP's current schedule of utility scale renewable projects currently under development are forecasted to generate *excess* Renewable Energy Credits (RECs) from 2014 through 2018. These excess credits are then utilized from 2019-2028 to make up for the any annual shortfalls.

Beyond 2015, TEP's Reference Case projects that additional renewable projects would have to go into service starting in 2023 to achieve the 15% REST standard by 2025. TEP's Reference Case further projects a cumulative production total of 15,174 GWh of utility scale renewables and distributed generation over the 2014-2028 timeframe. In comparison, the REST requirements for this same timeframe are 14,995 GWh with an excess REC balance of 219 GWh in 2028.

TEP has taken an aggressive approach with the development of its renewable projects over the last five years to take advantage of the 30% Investment Tax Credit (ITC) that is pending to expire in 2016. Furthermore, the buildup of excess RECs in the near term ensures that TEP complies with the year-to-year REST requirements and helps account for any unforeseen changes in load growth or possible renewable project construction delays.

Please to not hesitate to contact me at 520-884-3656 if you have questions or would like additional information.

Respectfully submitted,



Michael Sheehan
Director, Resource Planning

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Cc: Parties to the Docket

Table 1 – TEP Reference Case – REST Compliance Reconciliation

TEP Reference Case - REST Compliance Reconciliation

Reference Case (Sources and Uses), GWh	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Coal Generation		9,932	8,557	8,664	8,831	7,835	7,791	7,945	7,813	7,701	7,956	7,451	7,233	7,420	7,304	7,232
Natural Gas Generation		345	1,128	1,121	1,058	1,355	2,648	2,708	3,043	3,221	3,801	3,345	3,784	4,095	4,008	4,311
Purchase Power		1,147	1,049	918	804	1,134	681	600	590	610	443	709	761	716	847	909
Utility Scale Renewables		373	564	586	564	564	564	566	565	665	664	918	1,001	1,016	1,038	1,058
Total Sources		11,796	11,299	11,264	11,258	10,889	11,685	11,820	12,011	12,196	12,864	12,423	12,779	13,248	13,191	13,510
Gross Retail Load		9,594	9,799	10,023	10,223	10,425	10,631	10,840	11,029	11,224	11,428	11,649	11,864	12,102	12,344	12,591
Energy Efficiency		537	693	863	1,033	1,202	1,376	1,544	1,619	1,636	1,665	1,594	1,725	1,765	1,795	1,819
Distributed Generation		123	134	162	189	216	243	270	298	328	361	395	430	437	446	455
Retail Load	9,097	8,934	8,973	8,999	9,002	9,008	9,011	9,026	9,113	9,260	9,402	9,560	9,709	9,910	10,103	10,323
System Losses		898	902	904	904	905	905	906	914	928	941	955	969	988	1,006	1,026
Retail Load with Losses		9,832	9,874	9,903	9,906	9,912	9,916	9,932	10,027	10,188	10,343	10,516	10,678	10,898	11,109	11,349
Total Firm Wholesale		724	720	454	256	265	272	281	287	295	-	-	-	-	-	-
Spot Market Sales		1,241	705	907	1,096	712	1,496	1,607	1,682	1,713	2,521	1,907	2,101	2,350	2,082	2,161
Total Wholesale Sales		1,965	1,425	1,361	1,353	976	1,768	1,888	1,969	2,008	2,521	1,907	2,101	2,350	2,082	2,161
Total Uses		11,796	11,299	11,264	11,258	10,889	11,685	11,820	11,996	12,196	12,864	12,423	12,779	13,248	13,191	13,510

REST Targets and REC Bank Balance, GWh	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Utility Scale Renewables		373	564	566	564	564	564	566	565	665	664	918	1,001	1,016	1,038	1,058
Distributed Generation		123	134	162	189	216	243	270	298	328	361	395	430	437	446	455
(1) **Total REST Resources**		495	698	728	753	780	808	837	862	993	1,026	1,313	1,431	1,453	1,483	1,513
REST Target % of Retail Sales		4.5%	5.0%	6.0%	7.0%	8.0%	9.0%	10.0%	11.0%	12.0%	13.0%	14.0%	15.0%	15.0%	15.0%	15.0%
Distributed Generation % of REST		30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Distributed Generation Requirements		123	134	162	189	216	243	270	298	328	361	395	430	437	446	455
Utility Scale Requirements		287	313	377	441	504	567	631	696	765	843	921	1,004	1,019	1,041	1,061
(2) **Total REST Requirements**		409	447	538	630	720	811	901	993	1,094	1,204	1,316	1,434	1,456	1,487	1,515
Annual REC Balance		86	252	189	123	60	(3)	(65)	(130)	(101)	(178)	(3)	(3)	(3)	(3)	(3)
(3) **Cumulative REC Bank Balance**		86	338	527	651	711	708	644	513	412	234	231	228	225	222	219

Notes

(1) REST resources shown in TEP's 2014 Reference Case

(2) Calculated REST Targets = (REST annual % target x prior year retail sales)

(3) Excess REC bank balance as a result of over compliance during 2014-2018. Excess dimishes 2019 through 2028.